

CITY OF KAHLOTUS
Franklin County, Washington
January 1, 1994 Through December 31, 1995

Schedule Of Findings

1. The City Should Provide Adequate Documentation For Claims

Our testing of city claims for the months of April, May, and June 1995 noted the following problems with the supporting documentation:

- The quarterly payment to Washington State Department of Labor and Industries for industrial insurance coverage did not have documentation attached.
- A payment to the Washington State Department of Revenue did not have documentation attached.
- Monthly payments remitting federal withholding, Social Security, and Medicare did not have supporting documentation.
- An invoice for door parts of \$1,057 was attached to a voucher for \$981 without explanation of the difference.
- A duplicate invoice was paid in April as a purchase of cold mix and again paid in May as a purchase of paint.
- Annual dues paid to the clerk's association did not have supporting documentation.
- Payments to AWC for the clerk's health insurance did not have supporting documentation.
- A \$30 payment to District Court for filing small claims did not have supporting documentation.
- A \$3,515 payment for 3 months garbage service did not have supporting documentation.

RCW 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction.

Without adequate supporting documentation attached to the vouchers, the validity of the

transactions cannot be substantiated.

The city had numerous personnel changes in the clerk/treasurer position during the period under audit.

We recommend the city improve voucher documentation by attaching the original supporting documents to the voucher or noting on the face of the voucher the location of the supporting documentation.

Auditee's Response

The City Clerk/Treasurer will attach supporting documentation to the monthly vouchers.

2. The City Should Reconcile The Treasury Records To The Banking Records On A Monthly Basis And Correctly Report Fund Resources On The Year-End Report

Our review of treasurer reports submitted to the city council noted inadequate reconciliation of the banking activity to the monthly treasury reports. By the end of the period under audit, the city checking account contained \$8,176 more than reported by the treasurer's reports. The city's originally issued 1994 and 1995 annual reports omitted the \$8,176. The 1994 and 1995 statements contained in this audit report, were modified to account for this additional resource.

RCW 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction.

By not performing the reconciliations properly, errors or irregularities could occur and not be identified in a timely manner.

The city had numerous personnel changes in the clerk/treasurer position during the period under audit. In addition, the city lacked a reconciliation system that ensured all receipts deposited to the checking account were properly accounted for in the monthly treasurer's reports. The financial exhibits that accompany this audit report have been revised to reflect the additional cash receipts.

We recommend the city implement reconciliation procedures to ensure that all receipts are accounted for in the monthly treasury reports.

Auditee's Response

The Clerk/Treasurer is now reconciling all monthly treasury reports to the bank statements each month. Now that a correct beginning fund balance has been established, the Clerk/Treasurer can provide the City Council with accurate monthly reports.

3. The City Records Detailing Credit Postings To Individual Utility Accounts Should Be Retained And Should Be Reconciled To The Treasurer's Receipts

Our testing of the utility account records for the month of March 1995 noted a \$1,207 difference as shown by the following discrepancy between the treasurer's receipts and the amounts posted to individual accounts:

Treasurer's receipts for payments on account totaled \$3,583. Credits posted to individual accounts totaled \$2,376.

RCW 43.09.200 states:

The accounts shall show the receipt, use, and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept, or required to be kept, necessary to isolate and prove the validity of every transaction.

Proper maintenance of the individual utility accounts is necessary to assure that customer payments are properly credited to their accounts.

The city had numerous personnel changes in the clerk/treasurer position during the period under audit.

We recommend the city treasurer implement the internal controls necessary to ensure that all utility payments received in a month are credited to the appropriate accounts.

Auditee's Response

The City Clerk/Treasurer will provide City Council with monthly financial reports that reconcile credits to individual accounts to bank deposits.

Auditor's Concluding Remarks

We would like to thank the city for their timely response to our findings. Based upon their response, we believe the issues are being addressed. We will review these areas in our subsequent audit.

We would also like to take this opportunity to express our appreciation for the assistance and cooperation we received throughout the audit.